

**REPORT OF THE AUDIT OF THE
BALLARD COUNTY
SHERIFF**

**For the Year Ended
December 31, 2001**



**EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE BALLARD COUNTY SHERIFF

**For The Year Ended
December 31, 2001**

The Auditor of Public Accounts has completed the Ballard County Sheriff's audit for the year ended December 31, 2001. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Excess fees decreased by \$10,810 from the prior calendar year, resulting in excess fees of \$0 as of December 31, 2001. Revenues increased by \$1,507 from the prior year and disbursements increased by \$17,747.

Debt Obligation:

A note payable of \$2,596 is due the Ballard County Fiscal Court as of August 7, 2002 for the purchase of vehicles for the Sheriff's Office.

Report Comments:

- The Sheriff Should Seek Additional Funding From The Ballard Fiscal Court In The Amount Of \$5,400 For Calendar Year 2001
- Lacks Adequate Segregation Of Duties

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Bob Buchanan, Ballard County Judge/Executive
Honorable Todd Cooper, Ballard County Sheriff
Members of the Ballard County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of Ballard County, Kentucky, for the year ended December 31, 2001. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Sheriff for the year ended December 31, 2001, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated August 7, 2002, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.



To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Bob Buchanan, County Judge/Executive
Honorable Todd Cooper, Ballard County Sheriff
Members of the Ballard County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The Sheriff Should Seek Additional Funding From The Ballard Fiscal Court In The Amount Of \$5,400 For Calendar Year 2001
- Lacks Adequate Segregation Of Duties

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
August 7, 2002

BALLARD COUNTY
TODD COOPER, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

For The Year Ended December 31, 2001

Receipts

Federal Grants:

Community Oriented Policing Services	\$	16,929
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State Grants:

Kentucky Law Enforcement Foundation Program		24,699
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State Fees For Services:

Finance and Administration Cabinet		12,044
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Circuit Court Clerk:

Sheriff Security Service	\$ 3,494	
Fines and Fees Collected	7,765	11,259

Fiscal Court		127,099
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County Clerk - Delinquent Taxes		952
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Commission On Taxes Collected		101,636
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Fees Collected For Services:

Auto Inspections	\$ 2,653	
Accident and Police Reports	385	
Serving Papers	6,930	
Sheriff's Fees	15,142	
Carrying Concealed Deadly Weapon Permits	2,790	
Advertising Fee	880	
Restitution Collections	2,753	31,533

Other:

Miscellaneous	\$ 1,828	
School Resource Officer	21,520	
Transferred From Drug Account	8,000	31,348

Interest Earned		3,719
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Borrowed Money:

County Advancement	\$ 10,000	
State Advancement	40,000	50,000

Total Receipts	\$	411,218
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BALLARD COUNTY
TODD COOPER, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
For The Year Ended December 31, 2001
(Continued)

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries \$ 217,986

Policing Services' Salaries 16,929

Training Incentive Salaries 18,668

Materials and Supplies-

Office Materials and Supplies 7,045

Uniforms 4,432

Auto Expense-

Gasoline 13,840

Maintenance and Repairs 10,802

Mileage 766

Other Charges-

Dues 325

Postage 353

Rent 600

Guns and Ammunition 513

Miscellaneous 317

Fiscal Court Fees 2,210

Film 652

Carrying Concealed Deadly Weapon Permits 2,005

Training Expense 1,382

Conveyance of Prisoners 4,679

Transferred To Drug Fund 4,176

Capital Outlay: 2,011

Office Equipment

Debt Service:

State Advancement Repaid 40,000

County Advancement Repaid 10,000

Total Disbursements

\$ 359,691

Net Receipts

\$ 51,527

Less: Statutory Maximum

56,927

Excess of Allowable Expenditures over Receipts as of December 31, 2001 (Note 5)

\$ (5,400)

The accompanying notes are an integral part of the financial statement.

BALLARD COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2001.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent for the first six months of the year and the 6.41 for the last six months of the year.

BALLARD COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2001
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2001, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

Note 4. Note Payable

The Office of the Ballard County Sheriff is liable for an unsecured note payable to Ballard County Fiscal Court in the amount of \$2,596 as of August 7, 2002. The purpose of the note was to purchase official vehicles. The Office of the Ballard County Sheriff is in compliance with the terms of the agreement as of August 7, 2002.

Note 5. Excess of Allowable Expenditures Over Receipts as of December 31, 2001

During calendar year 2001, the County Sheriff's office fee account expended \$5,400 more of allowable expenditures than it received in fees and other revenue receipts. This fiscal condition resulted in the County Sheriff not receiving his full statutory maximum salary in accordance with the salary schedule set out in KRS 64.5275. KRS 64.535 states that "[t]he . . . sheriff shall . . . receive a monthly salary of one-twelfth (1/12) of the amount indicated by the salary schedule in KRS 64.5275." According to the state Department for Local Government (DLG), this statute requires the County Sheriff to receive his statutory maximum salary, even if his office fails to generate sufficient fees and other revenues to cover all allowable expenses of his office. It is further the opinion of DLG that it is the responsibility of the fiscal court, in a shortfall situation such as this, to provide additional funding to ensure that the Sheriff properly receives his maximum salary as mandated by statute.

BALLARD COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2001
(Continued)

Note 6. Drug Fund

The Ballard County Sheriff's Office has a drug fund established by an order of the Circuit Court. Receipts result from the forfeiture of money and property, and interest. The funds are spent for supplies, equipment, vehicle repairs, and drug awareness programs. The balance as of January 1, 2001 was \$2,860. During the calendar year 2001, there were receipts of \$22,133, and disbursements of \$20,530, leaving a balance of \$4,463 as of December 31, 2001.

Note 7. STOPP Fund

The Ballard County Sheriff's Office has a STOPP Fund established by an order of the Circuit Court. Receipts result from additional fines assessed on drug defendants. The funds are spent for supplies, equipment, vehicle repairs, and drug awareness programs. The balance as of January 1, 2001 was \$2,061. During the calendar year 2001, there were receipts of \$6,606 and disbursements of \$4,872, leaving a balance of \$3,795 as of December 31, 2001.

Note 8. Federal Grant

The Ballard County Sheriff's Office was awarded a Community Oriented Policing Services (COPS) Grant from the U.S. Department of Justice. The COPS Grant was awarded in September 1999 for a period of three years in the amount of \$82,232. During calendar year 2001 funds of \$16,929 were expended under this grant.

Note 9. Kentucky Law Enforcement Foundation Program Fund

The Ballard County Sheriff's Office participates in the Kentucky Law Enforcement Training Incentive Program administered by the Kentucky Justice Cabinet. This program is designed to encourage officers to become more adequately trained. During the calendar year 2001, the Ballard County Sheriff's Office received \$24,699 under this program.

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COMMENTS AND RECOMMENDATIONS

BALLARD COUNTY
TODD COOPER, COUNTY SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2001

STATE LAWS AND REGULATIONS:

The Sheriff Should Seek Additional Funding From The Ballard Fiscal Court In The Amount Of \$5,400 For Calendar Year 2001

During the year ended December 31, 2001, the County Sheriff's office fee account expended \$5,400 more of allowable expenditures than it received in fees and other revenue receipts. This fiscal condition resulted in the County Sheriff not receiving his full statutory maximum salary in accordance with the salary schedule set out in KRS 64.5275. KRS 64.535 states that "[t]he . . . sheriff shall . . . receive a monthly salary of one-twelfth (1/12) of the amount indicated by the salary schedule in KRS 64.5275." According to the state Department for Local Government (DLG), this statute requires the County Sheriff to receive his statutory maximum salary, even if his office fails to generate sufficient fees and other revenues to cover all allowable expenses of his office. It is further the opinion of DLG that it is the responsibility of the fiscal court, in a shortfall situation such as this, to provide additional funding to ensure that the Sheriff receives his maximum salary as mandated by statute. Thus, we recommend that the Sheriff seek \$5,400 in additional funding from the Ballard Fiscal Court in order that the Sheriff will receive his statutory maximum salary for calendar year 2001.

County Sheriff's Response:

Thanks.

INTERNAL CONTROL - REPORTABLE CONDITIONS:

Lacks Adequate Segregation Of Duties

The Sheriff's office has a lack of segregation of duties. Due to the entity's diversity of official operations, small size and budget restrictions the official has limited options for establishing an adequate segregation of duties. We are recommending that the following compensating controls be implemented to offset this internal control weakness:

- The Sheriff should periodically compare a daily bank deposit to the daily checkout sheet and then compare the daily checkout sheet to the receipts ledger. Any differences should be reconciled. He could document this by initialing the bank deposit, daily deposit, and receipts ledger.
- The Sheriff should compare the quarterly financial report to receipts and disbursements ledgers for accuracy. The Sheriff should also compare the salaries listed on the quarterly report to the individual earning records. Any differences should be reconciled. The Sheriff could document this by initialing the quarterly financial report.

BALLARD COUNTY
TODD COOPER, COUNTY SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2001
(Continued)

INTERNAL CONTROL - REPORTABLE CONDITIONS: (Continued)

Lacks Segregation Of Duties (Continued)

- The Sheriff should periodically compare invoices to payments. The Sheriff could document this by initialing the invoices.
- The Sheriff should periodically compare the bank reconciliation to the balance in the checkbook. Any differences should be reconciled. The Sheriff could document this by initialing the bank reconciliation and the balance in the checkbook.

County Sheriff's Response:

We will comply.

INTERNAL CONTROL - MATERIAL WEAKNESSES:

None.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of receipts, disbursements, and excess fees of the Ballard County Sheriff for the year ended December 31, 2001, and have issued our report thereon dated August 7, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Ballard County Sheriff's financial statement for the year ended December 31, 2001, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying comments and recommendations section.

- The Sheriff Should Seek Additional Funding From The Ballard Fiscal Court In The Amount Of \$5,400 For Calendar Year 2001



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Ballard County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. A reportable condition is described in the accompanying comments and recommendations.

- Lacks Adequate Segregation Of Duties

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
August 7, 2002

